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FISCAL IMPACT STATEMENT

LS 6572

BILL NUMBER: HB 1141

NOTE PREPARED: Feb 15, 2012

BILL AMENDED: Feb 14, 2012

SUBJECT: Home Energy Assistance.

FIRST AUTHOR: Rep. Welch

FIRST SPONSOR: Sen. Kenley

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill sunsets the sales tax exemption for home energy acquired through federal low income home energy assistance program (LIHEAP) after June 30, 2012, and before July 1, in 2020. It establishes the mortgage foreclosure multistate settlement fund. The bill provides that the fund consists of: (1) money that is received by the state under a multistate agreement related to litigation concerning mortgage foreclosure activities and that is designated by the attorney general for deposit in the fund; (2) appropriations made to the fund by the general assembly; and (3) grants, gifts, and donations intended for deposit in the fund. It specifies that the fund shall be administered by the budget agency, and that money in the fund does not revert to the state general fund. The bill provides that money in the fund may be used only to reimburse the state general fund for the amount of state sales tax revenue that was not collected because of the sales tax exemption for home energy acquired through LIHEAP.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the sales tax exemption proposed in the bill. The bill also requires the DOR to certify to the State Budget Agency and the Auditor of State the additional amount that would have been collected in the preceding fiscal year if the sales tax exemption for home energy acquired through LIHEAP had not been in effect in the preceding fiscal year. The DOR's current level of resources should be sufficient.

(Revised) *State Budget Agency:* This bill requires the SBA to administer the mortgage foreclosure multistate settlement fund (established in this bill). The SBA's current level of resources is sufficient to implement this provision.

Explanation of State Revenues: (Revised) *Sales Tax Exemption for Home Energy:* This bill provides a Sales Tax exemption for home energy acquired through LIHEAP after June 30, 2012, and before July 1, 2020. It is estimated that this bill could potentially decrease Sales Tax revenue by \$3.7 M to \$4.4 M annually through FY 2020. The low estimate assumes a total LIHEAP benefits for home energy of \$53 M and the high estimate assumes a total LIHEAP benefit of \$63 M.

The decrease in revenue would be offset by funds deposited in the mortgage foreclosure multistate settlement fund (established in this bill). The bill provides that money in the fund may be used only to reimburse the state General Fund for the amount of state sales tax revenue that was not collected because of the sales tax exemption for home energy acquired through LIHEAP.

It should be noted that the extent of the reduction in revenue will depend in large part on the federal appropriations for LIHEAP. For FFY 2012 federal appropriations for LIHEAP total \$82.3 M, down from \$107.6 M in FFY 2011. Only the portion of this funding used for home energy benefits is currently subject to Sales Tax. Federal funding for this program in FFY 2013 is unknown.

The Sales Tax exemption applies to sales of home energy involving:

- (1) energy which is in the form of electricity, oil, gas, coal, propane, or any other fuel for use as the principal source of heating or cooling in residential dwellings; and
- (2) a person who is acquiring the energy through a program administered by the state to supply home energy through the Low-Income Home Energy Assistance Block Grant (LIHEAP) under 42 U.S.C 8621 et seq.

A history of the amount of benefits paid out for home energy assistance over the last six years is included in the *Background* section below.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

(Revised) *Mortgage Foreclosure Multistate Settlement Fund:* This bill establishes the mortgage foreclosure multistate settlement fund. The bill provides that the fund consists of:

- (1) money that is received by the state under a multistate agreement related to litigation concerning mortgage foreclosure activities and that is designated by the Attorney General for deposit in the fund;
- (2) appropriations made to the fund by the general assembly; and
- (3) grants, gifts, and donations intended for deposit in the fund.

The bill provides that money in the fund may be used only to reimburse the state General Fund for the amount of state sales tax revenue that was not collected because of the sales tax exemption for home energy acquired through LIHEAP.

The Attorney General reports that the state will receive approximately \$46.8M in settlement payments of which \$45.84 M will be paid to the Attorney General and \$1 M to the Department of Financial Institutions in FY 2012. The Attorney General would designate how much of the \$45.8 M would be deposited in the mortgage foreclosure multistate settlement fund.

Background Information -

LIHEAP: Funding for the state's energy assistance program comes from federal sources and dedicated state funds. Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program (EAP) and the Weatherization Assistance Program (WAP). The program is primarily funded through the federal LIHEAP block grant. The state's energy assistance program provides grants for winter heating assistance and summer cooling assistance.

Indiana's program currently provides assistance to persons below 150% of the federal poverty level. A summary of benefits which would be subject to Sales Tax are as follows:

Fiscal Year	Benefits (in millions)
2012*	\$63.40
2011	\$80.96
2010	\$87.79
2009	\$86.69
2008	\$93.00
2007	\$57.64
*Please note that the benefit amount for FY 2012 is an estimate.	

Mortgage Foreclosure Multistate Settlement: The Mortgage Foreclosure settlement provides approximately \$2.5 billion, to be paid directly to participating states. The Attorney General reports that the Indiana will receive \$46.8M in direct settlement payments. The settlement allows the funds to be used for foreclosure relief and housing programs, including housing counseling, legal assistance, foreclosure prevention hotlines and foreclosure mediation.

Explanation of Local Expenditures: Local revenues will be impacted to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

Explanation of Local Revenues:

State Agencies Affected: DOR; IHCD;SBA;AG.

Local Agencies Affected:

Information Sources: Mark Wuellner, IHCD; www.liheap.org; Paul Krievins, IHCD ;U.S Department of Health and Human Services, http://www.acf.hhs.gov/news/press/2011/liheap_allocation.html; Attorney General's Office; National Settlement Executive Summary, <http://www.nationalmortgagesettlement.com>.

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